

94TH CONGRESS  
2D SESSION

**S. 3418**

IN THE SENATE OF THE UNITED STATES

MAY 12, 1976

Mr. PROXMIER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing and Urban Affairs

**A BILL**

To amend the Securities Exchange Act of 1934 to prohibit certain issuers of securities from falsifying their books and records, and for related purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That section 13 (b) of the Securities Exchange Act (15  
4 U.S.C. 78m (b) ), is amended by renumbering existing sec-  
5 tion 13 (b) as section 13 (b) (1), and by adding at the end  
6 of new section 13 (b) (1), the following subparagraphs:  
7 “(2) Every issuer which has a class of securities regis-  
8 tered pursuant to section 12 of this title and every issuer  
9 which is required to file reports pursuant to section 15 (d)  
10 of this title shall—

1           “(A) make and keep books, records, and accounts,  
2           which accurately and fairly reflect the transactions and  
3           dispositions of the assets of the issuer; and

4           “(B) devise and maintain an adequate system of  
5           internal accounting controls sufficient to provide reason-  
6           able assurances that—

7           “(i) transactions are executed in accordance  
8           with management’s general or specific authoriza-  
9           tion;

10           “(ii) transactions are recorded as necessary  
11           (1) to permit preparation of financial statements in  
12           conformity with generally accepted accounting prin-  
13           ciples or any other criteria applicable to such state-  
14           ments and (2) to maintain accountability for assets;

15           “(iii) access to assets is permitted only in ac-  
16           cordance with management’s authorization; and

17           “(iv) the recorded accountability for assets is  
18           compared with the existing assets at reasonable in-  
19           tervals and appropriate action is taken with respect  
20           to any differences.

21           “(3) It shall be unlawful for any person, directly or  
22           indirectly, to falsify, or cause to be falsified, any book, record,  
23           account, or document, made or required to be made for any  
24           accounting purpose, of any issuer which has a class of

1 which is required to file reports pursuant to section 15 (d)  
2 of this title.

3 “(4) It shall be unlawful for any person, directly or  
4 indirectly—

5 “(A) to make, or cause to be made, a materially  
6 false or misleading statement, or

7 “(B) to omit to state, or cause another person to  
8 omit to state, any material fact necessary in order to  
9 make statements made, in the light of the circum-  
10 stances under which they were made, not misleading  
11 to an accountant in connection with any examination or  
12 audit of an issuer which has a class of securities registered  
13 pursuant to section 12 of this title or which is required to  
14 file reports pursuant to section 15 (d) of this title, or in  
15 connection with any examination or audit of an issuer with  
16 respect to an offering registered or to be registered under the  
17 Securities Act of 1933.”.

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By Mr. PROxmRE

MAY 12, 1976

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